

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01
AF-08 ARA-06 EA-07 NEA-10 OIC-02 /134 W
-----141838Z 036741 /50

R 141723Z FEB 77

FM USMISSION GENEVA
TO SECSTATE WASHDC 5186
INFO AMEMBASSY BERLIN
AMEMBASSY BONN
AMEMBASSY HELSINKI
USMISSION EC BRUSSELS

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E.O. 11652: NA

TAGS: GATT ETRD FI GE

SUBJ: GATT WP ON FINLAND/GDR AGREEMENT

REF: STATE 26100

BEGIN SUMMARY. GDR FAILED TO ATTEND, AND FINLAND TRIED TO ANSWER FOR THEM. WP SPENT MUCH TIME TRYING TO ASCERTAIN MEANS AVAILABLE TO GDR TO CONDUCT THEIR PARTICIPATION IN THE AGREEMENT. WP ENDED WITHOUT CONCLUSIONS AND WILL RECONVENE WITHIN 18 MONTHS. END SUMMARY.

1. EAST GERMANS DID NOT ATTEND FEBRUARY 8-9 GATT WORKING PARTY ON FINLAND/GDR AGREEMENT. FINNS MADE SERIOUS EFFORT TO SUPPLY USEFUL INFORMATION ON BEHALF OF GDR, BUT MAJOR QUESTIONS WERE LEFT DANGLING. WE UNDERSTAND GDR HAD SENT AT LEAST ONE OFFICIAL TO GENEVA ESPECIALLY TO COINCIDE WITH WP, BUT NO APPEARANCE WAS MADE IN THE ROOM.

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2. U.S. PURSUED THE QUESTIONS LISTED IN REFTEL CONCERNING EXCLUSION OF AGRICULTURE FROM THE AGREEMENT, MEANS AVAILABLE TO GDR FOR USE IN ACCOMPLISHING OBJECTIVES OF AGREEMENT, ETC. ON SEVERAL OCCASIONS WHEN FINLAND AND SOME EAST EUROPEAN MEMBERS OF WP COMPLAINED THAT WP COULD NOT IMPLY THAT A STATE TRADING

COUNTRY COULD NOT SIGN AN ARTICLE XXIV AGREEMENT, WE READ OUT TEXT OF U.S. RESPONSE TO QUESTION 35 CONTAINED IN REFTEL, INDICATING U.S. DOES NOT HAVE CLOSED MIND ON SUBJECT BUT BELIEVES THAT SERIOUS AND NOVEL QUESTIONS ARE RAISED.

3. EC, CANADA, JAPAN, SWITZERLAND ALL TOOK POSITIONS SIMILAR TO THAT OF U.S., EXCEPT, OF COURSE, THAT EC AND SWITZERLAND DID NOT SPEAK ON QUESTION OF EXCLUSION OF AGRICULTURE FROM AGREEMENT. EC WAS, AS ALWAYS, VERY ACTIVE IN QUESTIONING AND PROBING, AND WE BELIEVE THAT QUESTIONS PROVIDED IN REFTEL ENABLED U.S. TO ASSUME A MORE EFFECTIVE ROLE THAN IN PREVIOUS WP'S OF THIS SORT.

4. U.S. EXPRESSED DISSATISFACTION WITH RESPONSE GIVEN IN L/4334, IN WHICH IT WAS STATED THAT GDR APPLIED NEITHER QUANTITATIVE RESTRICTIONS NOR OTHER RESTRICTIVE REGULATIONS OF COMMERCE. WE SAID WE SIMPLY DID NOT BELIEVE THIS, LAMENTED ABSENCE OF GDR TO CLARIFY THE MATTER, AND HOPED THAT IN FUTURE SUCH UNCOMMUNICATIVE STATEMENTS COULD BE AVOIDED. EC STRONGLY SUPPORTED.

5. EC HOPED FOR MORE DETAILED STATISTICAL DESCRIPTION OF OPERATION OF AGREEMENT FOR USE AT NEXT SESSION OF WP, IN ORDER THAT WP MIGHT DETERMINE EXTENT TO WHICH AGREEMENT IS FOSTERING DEVELOPMENT OF TRADE BETWEEN PARTIES. U.S. CAUTIONED THAT MERE STATISTICAL RECORD THAT TRADE HAD INCREASED BETWEEN THE PARTIES DID NOT NECESSARILY LIMITED OFFICIAL USE

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INDICATE THAT AGREEMENT WAS IN CONFORMITY WITH GATT ARTICLE XXIV. FOR EXAMPLE, ARTICLE XXIV PROHIBITS THE ERECTING OF BARRIERS TO THIRD PARTIES' TRADE. WE ALSO REGRETTED LACK OF INFORMATION ON GDR EXPORT PRICING PRACTICES. EC INQUIRED ACTIVELY OF CURRENT EXCHANGE RATE AND EXPORT SUBSIDY PRACTICES IN GDR, TO LITTLE RESULT.

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6. U.S. AND CANADA, NOTING THAT GDR GOODS ENTER THE EC FREE OF DUTY VIA FRG, INVITED EC TO GIVE WP ANY BENEFIT OF ANY EXPERIENCES IT MAY HAVE HAD IN DEALING WITH MARKET DISRUPTION AND SUBSIDY QUESTIONS RAISED BY DUTY-FREE TRADE WITH GDR. THIS, WE SAID, WOULD BE RELEVANT TO WORK OF WP, AS FINLAND WOULD BE FACING SIMILAR PROBLEMS. EC DECLINED COMMENT AND PLEADED THAT MATTER WAS OUTSIDE WP TERMS OF REFERENCE. (NOTE: WITH RESPECT GENEVA 702 AND PARA 3 OF REFTEL, ARTICLE IN THE ECONOMIST AND GENERAL UNDERSTANDING AMONG EC DELEGATES BOTH INDICATE THAT INNER-GERMAN TRADE DOES MOVE ON TO REST OF EC WITHOUT APPLICATION IN PRACTICE OF EITHER CXT OR APPLICABLE QR'S.)

7. WP WAS WELL ATTENDED, WITH MANY DELEGATIONS FOLLOWING THE DISCUSSION CLOSELY. VISIBLY PRESENT WERE AUSTRIA AND A RUSSIAN ATTENDING ON BEHALF ECE SECRETARIAT. THERE WAS LENGTHY EXCHANGE DURING REPORT SESSION
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OVER WHETHER INTERIM REPORT TO COUNCIL COULD EVEN MAKE REFERENCE TO THE FACT THAT WP INQUIRED INTO VARIOUS ASPECTS OF COMPATIBILITY WITH ARTICLE XXIV OF AN AGREEMENT INVOLVING A CENTRALLY PLANNED STATE TRADING COUNTRY. FINLAND, HUNGARY, CZECHOSLOVAKIA INITIALLY INSISTED THAT SINCE WP TERMS OF REFERENCE MADE NO REFERENCE TO "DOUBLE STANDARD" FOR CENTRALLY PLANNED ECONOMIES, REPORT COULD NOT CONTAIN SUCH REFERENCE. U.S., EC, AND REST OF WP STOOD FIRM, AND THIS REFERENCE WAS RETAINED.

8. THUS, WP DID NOT REACH CONCLUSIONS STAGE. VARIOUS

WP MEMBERS, WHILE AGREEING THAT GDR WAS UNDER NO FORMAL OBLIGATION TO ATTEND, REGRETTED THAT GDR HAD CHOSEN TO STAY AWAY AND INDICATED THAT, GIVEN COMPLEXITY OF QUESTIONS RAISED, IT WOULD BE DIFFICULT TO REACH MEANINGFUL CONCLUSIONS UNLESS GDR COULD ATTEND NEXT SESSION. WP WILL CONVENE AGAIN WITHIN 18 MONTHS.

9. COMMENT: WHILE EC (KAWAN) WELCOMED THE MORE THOROUGH PARTICIPATION OF U.S. IN THIS WP, AS EVIDENCED BY OUR ACTIVE QUESTIONING, EC HAS NOTED THAT U.S. SELDOM MAKES REFERENCE TO SPECIFIC REGULATIONS IN EAST EUROPEAN COUNTRIES. EC HOPED THAT U.S. "GIVEN OUR LARGER RESOURCES" COULD, IN FUTURE WORKING PARTIES INVOLVING EAST EUROPEAN COUNTRIES, BE PREPARED TO QUESTION EE COUNTRIES ON BASIS OF VARIOUS DECREES AND REGULATIONS IN FORCE.CATTO

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